## Message Text

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ACTION AID-59

INFO OCT-01 EA-11 ADP-00 PM-09 NSC-10 SS-14 RSC-01 T-03

IGA-02 L-03 H-02 CIAE-00 DODE-00 INR-09 NSAE-00 PA-03

USIA-12 PRS-01 OMB-01 EB-11 TRSE-00 RSR-01 /153 W ------ 060697

R 151115 Z MAR 73 FM AMEMBASSY PHNOM PENH TO SECSTATE WASHDC 501 INFO AMEMBASSY VIENTIANE

CONFIDENTIAL PHNOM PENH 2321

E.O. 11652: GDS

TAGS: EAID, EFIN, ECON, CB

SUBJ: HANNAH CONVERSATION WITH LON NOL

FOR STATE/ AID

VIENTIANE: PASS TO DR. HANNAH

- 1. SUMMARY. IN MEETING WITH MARSHAL LON NOL ON MARCH 15, DR. HANNAH EMPHASIZED STRONGLY THE NEED TO MAKE PROGRESS ON REDUCING THE "PHANTOMS" IN FANK; DESCRIBED THE NEW FORMAT FOR ECONOMIC ASSISTANCE TO THE INDOCHINESE STATES IN FY 74; AND EXPRESSED THE WILLINGNESS OF THE US TO ASSIST THOSE WHO DO THEIR PART. END SUMMARY.
- 2. PHANTOMS. DR. HANNAH MET WITH MARSHAL LON NOL AND HIS SENIOR ECONOMIC AIDES FOR ONE HOUR ON MARCH 15. HE STRESSED THE IMPERATIVE NEED TO MAKE PROGRESS ON THE "PHANTOM" QUESTION, STATING THAT THIS WS ESSENTIAL IN ORDER FOR HIM TO MAKE AN EFFECTIVE CASE ON THE HILL FOR AID TO CAMBODIA. IN GOING OVER THE PROBLEM WITH LON NOL, DR. HANNAH DREW ATTENTION TO THE STRONG PRESS CRITICISM IN THE US OF THE "PHANTOMS" AS AN INDICATION OF THE PROBLEM HE FACED IN GETTING CONGRESSIONAL SUPPORT, A HARD JOB IN ANY CIRCUMSTANCES. IN REPLY, THE MARSHAL SAID THAT PART OF THE PROBLEM AROSE WITH TERRITORIAL FORCES THAT DID NOT WANT TO MOVE OUT OF THEIR HOME BASES CONFIDENTIAL

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AND PART OUT OF UNITS WHICH DID NOT EXIST. HE SAID THAT HE HAD PREVIOUSLY GIVEN ORDERS TO HAVE THE PROBLEM RESOLVED BUT NOW HE HAD TO DEAL WITH THE MATTER PERSONALLY. THE MARSHAL SAID HE WAS AWARE OF THE REPORTING ABROAD, SOME OF WHICH WAS TRUE SOME NOT. DR. HANNAH COMMENDED THE MARSHAL FOR HIS DECISIONS ON THE PHANTOMS AND SAID PROGRESS ON THIS PROBLEM WOULD MAKE HIS TASK EASIER.

- 3. FY 74 AID REQUEST. DR. HANNAH OUTLINED THE PROPOSED CHANGES IN THE PRESENTATION OF THE ECONOMIC ASSISTANCE PROGRAM FOR FY 74 AND THE REASONS FOR MAKING THESE CHANGES. HE ASSURED LON NOL THAT THE EMPLOYMENT OF LOANS RATHER THAN GRANTS WOULD NOT ALTER THE SUBSTANCE OF OUR ASSISTANCE TO THE KHMER REPUBLIC. THE MARSHAL APPEARED ENTIRELY CONTENT WITH THE CHANGE IN APPROACH.
- 4. POST- HOSTILITIES ASSISTANCE. DR. HANNAH EXPRESSED THE WILLINGNESS OF THE US TO HELP COUNTRIES WHO DO THEIR PART. HE TOLD THE PRESIDENT " CAMBODIA IS YOUR COUNTRY AND YOU MUST DECIDE WHAT YOU WANT TO DO." THE US WOULD TRY TO RESPOND TO REQUESTS FOR ASSISTANCE. HE ASKED THE MARSHAL TO TELL THE EMBASSY WHAT CAMBODIA'S REQUIREMENTS AND WHAT THE PRIORITES
- 5. IN GENERAL DR. HANNAH STRESSED TO THE MARSHAL THE NEED TO FRAME POLICIES IN ORDER TO GET THE ACTIVE SUPPORT OF THE "LITTLE PEOPLE" OF CAMBODIA. HE NOTED THAT IMPROVING THE LOT OF THESE PEOPLE WOULD MEAN THAT THEY WOULD HAVE CONFIDENCE IN THE GOVERNMENT. SWANK

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<sup>\*\*\*</sup> Current Handling Restrictions \*\*\* n/a

<sup>\*\*\*</sup> Current Classification \*\*\* CONFIDENTIAL

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TAGS: EAID, ECON, EFIN, CB

To: AID
SECSTATE WASHDC INFO VIENTIANE

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